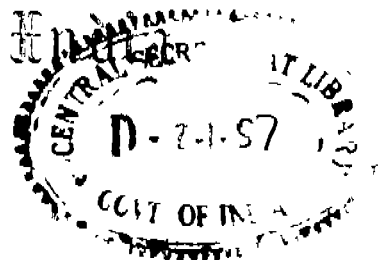


The Gazette



of



EXTRAORDINARY

PART II—Section I

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MINISTRY OF LAW

New Delhi, the 22nd December, 1956

The following Acts of Parliament received the assent of the President on the 21st December, 1956, and are hereby published for general information:—

## THE CENTRAL SALES TAX ACT, 1956

No 74 OF 1956

[21st December, 1956]

An Act to formulate principles for determining when a sale or purchase of goods takes place in the course of inter-State trade or commerce or outside a State or in the course of import into or export from India, to provide for the levy, collection and distribution of taxes on sales of goods in the course of inter-State trade or commerce and to declare certain goods to be of special importance in inter-State trade or commerce and specify the restrictions and conditions to which State laws imposing taxes on the sale or purchase of such goods of special importance shall be subject.

BE it enacted by Parliament in the Seventh Year of the Republic of India as follows:—

### CHAPTER I

#### PRELIMINARY

1. (1) This Act may be called the Central Sales Tax Act, 1956.
- (2) It extends to the whole of India except the State of Jammu and Kashmir.

Short title,  
extent and  
commence-  
ment.

- (3) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint, and different dates may be appointed for different provisions of this Act.

## Definitions.

2. In this Act, unless the context otherwise requires,—

(a) “appropriate State” means—

(i) in relation to a dealer who has one or more places of business situate in the same State, that State;

(ii) in relation to a dealer who has one or more places of business situate in different States, every such State with respect to the place or places of business situate within its territory;

*Explanation.*—“Place of business” means—

(i) in the case of a sale of goods in the course of inter-State trade or commerce falling within clause (a) of section 3, the place from which the goods have been moved by reason of such sale;

(ii) in the case of any such sale falling within clause

(b) of section 3, the place where the sale is effected;

(b) “dealer” means any person who carries on the business of selling goods, and includes a Government which carries on such business;

(c) “declared goods” means goods declared under section 14 to be of special importance in inter-State trade or commerce;

(d) “goods” includes all materials, articles, commodities and all other kinds of movable property, but does not include actionable claims, stocks, shares and securities;

(e) “prescribed” means prescribed by rules made under this Act;

(f) “registered dealer” means a dealer who is registered under section 7;

(g) “sale”, with its grammatical variations and cognate expressions, means any transfer of property in goods by one person to another for cash or for deferred payment or for any other valuable consideration, and includes a transfer of goods on the hire-purchase or other system of payment by instalments, but does not include a mortgage or hypothecation of or a charge or pledge on goods;

(h) “sale price” means the amount payable to a dealer as consideration for the sale of any goods, less any sum allowed as cash discount according to the practice normally prevailing in the trade, but inclusive of any sum charged for anything done by the dealer in respect of the goods at the time of or before the delivery thereof other than the cost of freight or delivery or the cost of installation in cases where such cost is separately charged;

(i) “sales tax law” means any law for the time being in force in any State or part thereof which provides for the levy of taxes on the sale or purchase of goods generally or on any specified goods expressly mentioned in that behalf, and “general sales tax law” means the law for the time being in force in any State or part thereof which provides for the levy of tax on the sale or purchase of goods generally,

(j) "turnover" used in relation to any dealer liable to tax under this Act means the aggregate of the sale prices received and receivable by him in respect of sales of any goods in the course of inter-State trade or commerce made during any prescribed period and determined in the prescribed manner;

(k) "year", in relation to a dealer, means the year applicable in relation to him under the general sales tax law of the appropriate State, and where there is no such year applicable, the financial year.

## CHAPTER II

### FORMULATION OF PRINCIPLES FOR DETERMINING WHEN A SALE OR PURCHASE OF GOODS TAKES PLACE IN THE COURSE OF INTER-STATE TRADE OR COMMERCE OR OUTSIDE A STATE OR IN THE COURSE OF IMPORT OR EXPORT.

3. A sale or purchase of goods shall be deemed to take place in the course of inter-State trade or commerce if the sale or purchase—

(a) occasions the movement of goods from one State to another; or

(b) is effected by a transfer of documents of title to the goods during their movement from one State to another.

*Explanation 1.*—Where goods are delivered to a carrier or other bailee for transmission, the movement of the goods shall, for the purposes of clause (b), be deemed to commence at the time of such delivery and terminate at the time when delivery is taken from such carrier or bailee.

*Explanation 2.*—Where the movement of goods commences and terminates in the same State it shall not be deemed to be a movement of goods from one State to another by reason merely of the fact that in the course of such movement the goods pass through the territory of any other State.

4. (1) Subject to the provisions contained in section 3, when a sale or purchase of goods is determined in accordance with sub-section (2) to take place inside a State, such sale or purchase shall be deemed to have taken place outside all other States.

(2) A sale or purchase of goods shall be deemed to take place inside a State if the goods are within the State—

(a) in the case of specific or ascertained goods, at the time the contract of sale is made; and

(b) in the case of unascertained or future goods, at the time of their appropriation to the contract of sale by the seller or by the buyer, whether assent of the other party is prior or subsequent to such appropriation.

*Explanation.*—Where there is a single contract of sale or purchase of goods situated at more places than one, the provisions of this sub-section shall apply as if there were separate contracts in respect of the goods at each of such places.

5. (1) A sale or purchase of goods shall be deemed to take place in the course of the export of the goods out of the territory of India only if the sale or purchase either occasions such export or is effected by a transfer of documents of title to the goods after the goods have crossed the customs frontiers of India.

When is a sale or purchase of goods said to take place in the course of inter-State trade or commerce.

When is a sale or purchase of goods said to take place outside a State.

When is a sale or purchase of goods said to take place in the course of import or export.

(2) A sale or purchase of goods shall be deemed to take place in the course of the import of the goods into the territory of India only if the sale or purchase either occasions such import or is effected by a transfer of documents of title to the goods before the goods have crossed the customs frontiers of India.

### CHAPTER III

#### INTER-STATE SALES TAX

Liability to  
tax on inter-  
State sales.

6. Subject to the other provisions contained in this Act, every dealer shall, with effect from such date as the Central Government may, by notification in the Official Gazette, appoint, not being earlier than thirty days from the date of such notification, be liable to pay tax under this Act on all sales effected by him in the course of inter-State trade or commerce during any year on and from the date so notified.

Registration  
of dealers.

7. (1) Every dealer liable to pay tax under this Act shall, within such time as may be prescribed for the purpose, make an application for registration under this Act to such authority in the appropriate State as the Central Government may, by general or special order, specify, and every such application shall contain such particulars as may be prescribed.

(2) Any dealer who is liable to pay tax under the sales tax law of the appropriate State may, notwithstanding that he is not liable to pay tax under this Act, apply for registration under this Act to the authority referred to in sub-section (1), and every such application shall contain such particulars as may be prescribed.

(3) If the authority to whom an application under sub-section (1) or sub-section (2) is made is satisfied that the application is in conformity with the provisions of this Act and the rules made thereunder, he shall register the applicant and grant to him a certificate of registration in the prescribed form which shall specify the class or classes of goods for the purposes of sub-section (1) of section 8.

(4) A certificate of registration granted under this section may be cancelled by the authority granting it, where it is satisfied that the dealer to whom it has been granted has ceased to carry on business or has ceased to exist or, in the case of a dealer registered under sub-section (2), has ceased to be liable to pay tax under the sales-tax law of the appropriate State or for any other sufficient reason.

(5) A registered dealer may apply in the prescribed manner not later than six months before the end of a year to the authority which granted his certificate of registration for the cancellation of such registration, and the authority shall, unless the dealer is liable to pay tax under this Act, cancel the registration accordingly, and where he does so, the cancellation shall take effect from the end of the year.

Rates of tax  
on sales in  
the course of  
inter-State  
trade or  
commerce.

8. (1) Every dealer who, in the course of inter-State trade or commerce sells to a registered dealer goods of the description referred to in sub-section (3) shall be liable to pay tax under this Act, which shall be one per cent. of his turnover:

Provided that, if under the sales tax law of the appropriate State, the sale or purchase of any goods by a dealer is exempt from tax

generally and not in specified cases or in specified circumstances or is subject to tax (by whatever name called) at a rate or rates which is or are lower than the rate specified in sub-section (1), the tax payable under this Act on the turnover in relation to the sale of such goods in the course of inter-State trade or commerce shall be nil or shall be calculated at the lower rate, as the case may be.

(2) The tax payable by any dealer in any case not falling within sub-section (1) in respect of the sale by him of any goods in the course of inter-State trade or commerce shall be calculated at the same rates and in the same manner as would have been done if the sale had, in fact, taken place inside the appropriate State, and for the purpose of making any such calculation any such dealer shall be deemed to be a dealer liable to pay tax under the sales tax law of the appropriate State, notwithstanding that he, in fact, may not be so liable under that law.

(3) The goods referred to in sub-section (1)—

(a) in the case of declared goods, are goods of the class or classes specified in the certificate of registration of the registered dealer purchasing the goods as being intended for resale by him; and

(b) in any other case, are goods of the class or classes specified in the certificate of registration of the registered dealer purchasing the goods as being intended for resale by him or for use by him in the manufacture of goods for sale or for use by him in the execution of any contract;

and in either case include the containers or other materials used for the packing of goods of the class or classes of goods so specified.

*Explanation.*—For the purposes of this sub-section, “contract” means any agreement for carrying out for cash or deferred payment or other valuable consideration—

(i) the construction, fitting out, improvement or repair of any building, road, bridge or other immovable property; or

(ii) the installation or repair of any machinery affixed to any building or other immovable property.

(4) The provisions of sub-section (1) shall not apply to any sale in the course of inter-State trade or commerce unless the dealer selling the goods furnishes to the prescribed authority in the prescribed manner a declaration duly filled and signed by the registered dealer to whom the goods are sold, containing the prescribed particulars on a prescribed form obtained from the prescribed authority.

(5) Notwithstanding anything contained in this section, the Central Government may, if it is satisfied that it is necessary so to do in the public interest, by notification in the Official Gazette, direct that in respect of such goods or classes of goods as may be mentioned in the notification and subject to such conditions as it may think fit to impose, no tax under this Act shall be payable by any dealer having his place of business in any Union territory in respect of the sale by him from any such place of business of any such goods in the course of inter-State trade or commerce or that the tax on such sales shall

be calculated at such lower rates than those specified in sub-section (1) or sub-section (2) as may be mentioned in the notification.

Levy and  
collection of  
tax.

9. (1) The tax payable by any dealer under this Act shall be levied and collected in the appropriate State by the Government of India in the manner provided in sub-section (2).

(2) The authorities for the time being empowered to assess, collect and enforce payment of any tax under the general sales tax law of the appropriate State shall, on behalf of the Government of India and subject to any rules made under this Act, assess, collect and enforce payment of any tax payable by a dealer under this Act in the same manner as the tax on the sale or purchase of goods under the general sales tax law of the State is assessed, paid and collected; and for this purpose they may exercise all or any of the powers they have under the general sales tax law of the State; and the provisions of such law, including provisions relating to returns, appeals, reviews, revisions, references, penalties and compounding of offences, shall apply accordingly.

(3) The proceeds (reduced by the cost of collection) in any financial year of any tax levied and collected under this Act in any State on behalf of the Government of India shall, except in so far as those proceeds represent proceeds attributable to Union territories, be assigned to that State and shall be retained by it; and the proceeds attributable to Union territories shall form part of the Consolidated Fund of India.

Penalties.

10. If any person—

- (a) fails to get himself registered as required by section 7; or
- (b) being a registered dealer, falsely represents when purchasing any class of goods that goods of such class are covered by his certificate of registration; or
- (c) not being a registered dealer, falsely represents when purchasing goods in the course of inter-State trade or commerce that he is a registered dealer; or
- (d) after purchasing any goods for any of the purposes specified in clause (b) of sub-section (3) of section 8 fails, without reasonable excuse, to make use of the goods for any such purpose;
- (e) has in his possession any form prescribed for the purpose of sub-section (4) of section 8 which has not been obtained by him or by his principal or by his agent in accordance with the provisions of this Act or any rules made thereunder;

he shall be punishable with simple imprisonment which may extend to six months, or with fine, or with both; and when the offence is a continuing offence, with a daily fine which may extend to fifty rupees for every day during which the offence continues.

Cognizance  
of offence.

11. (1) No court shall take cognizance of any offence punishable under this Act or the rules made thereunder except with the previous sanction of the Government within the local limits of whose jurisdiction the offence has been committed or of such officer of that Government as it may, by general or special order, specify in this behalf; and no court inferior to that of a presidency magistrate or a magistrate of the first class shall try any such offence.

(2) All offences punishable under this Act shall be cognizable and bailable.

12. No suit, prosecution or other legal proceeding shall lie against any officer of Government for anything which is in good faith done or intended to be done under this Act or the rules made thereunder. Indemnity.

13. (1) The Central Government may, by notification in the Official Gazette, make rules providing for— Power to make rules

(a) the manner in which applications for registration may be made under this Act, the particulars to be contained therein, the procedure for the grant of such registration, the circumstances in which registration may be refused and the form in which the certificate of registration may be given;

(b) the period of turnover, the manner in which the turnover in relation to the sale of any goods under this Act shall be determined, and the deductions which may be made in the process of such determination;

(c) the cases and circumstances in which, and the conditions subject to which, any registration granted under this Act may be cancelled;

(d) the particulars to be contained in the declaration to be given by any registered dealer purchasing goods and the form of such declaration.

(2) All rules made by the Central Government under sub-section (1) shall be laid before both Houses of Parliament as soon as may be after they are made and shall be subject to such modifications as Parliament may make during the session in which they are so laid or the session immediately following.

(3) The State Government may make rules, not inconsistent with the provisions of this Act and the rules made under sub-section (1), to carry out the purposes of this Act.

(4) In particular and without prejudice to the powers conferred by sub-section (3), the State Government may make rules for all or any of the following purposes, namely:—

(a) the publication of lists of registered dealers, of the amendments made in such lists from time to time, and the particulars to be contained in such lists;

(b) the form and manner in which accounts relating to sales in the course of inter-State trade or commerce shall be kept by registered dealers;

(c) the furnishing of any information relating to the stocks of goods of, purchases, sales and deliveries of goods by, any dealer or any other information relating to his business as may be necessary for the purposes of this Act;

(d) the inspection of any books, accounts or documents required to be kept under this Act, the entry into any premises at all reasonable times for the purposes of searching for any such books, accounts or documents kept or suspected to be kept in such premises and the seizure of such books, accounts or documents;

(e) the authority from which any form of declaration prescribed under sub-section (4) of section 8 may be obtained, the manner in which the form shall be kept in custody and records relating thereto maintained, the manner in which any such form may be used and any such declaration may be furnished;

(f) in the case of an undivided Hindu family, association, club, society, firm or company or in the case of a person who carries on business as a guardian or trustee or otherwise on behalf of another person, the furnishing of a declaration stating the name of the person who shall be deemed to be the manager in relation to the business of the dealer in the State and the form in which such declaration may be given;

(g) the time within which, the manner in which and the authorities to which any change in the ownership of any business or in the nature of any business carried on by any dealer shall be furnished.

(5) In making any rule under this section the State Government may direct that a breach thereof shall be punishable with fine which may extend to five hundred rupees and when the offence is a continuing offence, with a daily fine which may extend to fifty rupees for every day during which the offence continues.

## CHAPTER IV

### GOODS OF SPECIAL IMPORTANCE IN INTER-STATE TRADE OR COMMERCE

Certain  
goods to be  
of special  
importance  
in inter-State  
trade or  
commerce.

14. It is hereby declared that the following goods are of special importance in inter-State trade or commerce:—

- (i) coal, including coke in all its forms;
- (ii) cotton, that is to say, all kinds of cotton (indigenous or imported) in its unmanufactured state, whether ginned or unginned, baled, pressed or otherwise, but not including cotton waste;
- (iii) hides and skins, whether in a raw or dressed state;
- (iv) iron and steel, that is to say,—
  - (a) pig iron and iron scrap;
  - (b) iron plates sold in the same form in which they are directly produced by the rolling mill;
  - (c) steel scrap, steel ingots, steel billets, steel bars and rods;
  - (d)
 

<ul style="list-style-type: none"> <li>(i) steel plates,</li> <li>(ii) steel sheets,</li> <li>(iii) sheet bars and tin bars,</li> <li>(iv) rolled steel sections,</li> <li>(v) tool alloy steel;</li> </ul>	}	sold in the same form in which they are directly produced by the rolling mill;
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  - (v) jute, that is to say, the fibre extracted from plants belonging to the species *corchorus capsularis* and *corchorus olitorius* and the fibre known as *mesta* or *bimli* extracted from plants of the species *hibiscus cannabinus* and *hibiscus sabdariffa-var altissima*, whether baled or otherwise;



(vi) oil-seeds, that is to say, seeds yielding non-volatile oils used for human consumption, or in industry, or in the manufacture of varnishes, soaps and the like, or in lubrication, and volatile oils used chiefly in medicines, perfumes, cosmetics and the like.

15. Notwithstanding anything contained in the sales tax law of any State, the tax payable by any dealer under that law in respect of any sales or purchases of declared goods made by him inside the State shall not exceed two per cent. of the sale price thereof, and such tax shall not be levied at more than one stage in a State.

Restrictions  
and condi-  
tions in re-  
gard to tax  
on sales or  
purchases of  
declared  
goods.

16. The Essential Goods (Declaration and Regulation of Tax on Sale or Purchase) Act, 1952, is hereby repealed.

Repeal of  
Act 52 of  
1952.

THE KERALA STATE LEGISLATURE (DELEGATION  
OF POWERS) ACT, 1956

No. 75 OF 1956

[21st December, 1956]

An Act to confer on the President the power of the Legislature of the State of Kerala to make laws.

BE it enacted by Parliament in the Seventh Year of the Republic of India as follows:—

**Short title.** 1. This Act may be called the Kerala State Legislature (Delegation of Powers) Act, 1956.

**Definition.** 2. In this Act, "Proclamation" means the Proclamation issued on the 1st day of November, 1956, by the President under clause (1) of article 356 of the Constitution.

**Conferment on the President of the Power of the State Legislature.** 3. (1) The power of the Legislature of the State of Kerala to make laws, which has been declared by the Proclamation to be exercisable by or under the authority of Parliament, is hereby conferred on the President.

(2) In the exercise of the said power, the President may, from time to time, whether Parliament is or is not in session, enact as a President's Act a Bill containing such provisions as he considers necessary:

Provided that before enacting any such Act, the President shall, whenever he considers it practicable to do so, consult a Committee constituted for the purpose consisting of all the Members of the House of the People and the Council of States who for the time being fill the seats allotted to the State of Kerala in the two Houses.

(3) Every Act enacted by the President under sub-section (2) shall, as soon as may be after enactment, be laid before each House of Parliament.

(4) Either House of Parliament may, by resolution passed within seven days from the date on which the Act has been laid before it under sub-section (3), direct any modifications to be made in the Act and if the modifications are agreed to by the other House of Parliament during the session in which the Act has been so laid before it or the session succeeding, such modifications shall be given effect to by the President by enacting an amending Act under sub-section (2):

Provided that nothing in this sub-section shall affect the validity of the Act or of any action taken thereunder before it is so amended.

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## THE FINANCE (No. 2) ACT, 1956

No. 76 of 1956

[21st December, 1956]

An Act to increase or modify the rates of duty on certain goods imported into India and to impose duties of excise on certain goods produced or manufactured in India and to increase the stamp duty on bills of exchange.

Be it enacted by Parliament in the Seventh Year of the Republic of India as follows:—

Short title  
and com-  
mencement,

1. (1) This Act may be called the Finance (No. 2) Act, 1956.

(2) Section 4 shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

Amendment  
of Act 32  
of 1934.

2. The Indian Tariff Act, 1934 (hereinafter referred to as the Tariff Act), shall be amended in the manner specified in Parts I, II and III of the First Schedule.

Amendment  
of Act 1 of  
1944.

3. In the First Schedule to the Central Excises and Salt Act, 1944, after Item No. 25, the following Items shall be inserted, namely:—

- |     |  |                                   |
|-----|--|-----------------------------------|
| “26 | Rayon and synthetic fibres and yarn.   | Rupee one and annas eight per lb. |
| 27  | Motor cars, including taxi cabs, driven by internal combustion engines, with a carrying capacity of not more than nine persons, but excluding— | Rupees three thousand per car.    |
|     | (i) 4-cylinder cars of not more than 20 horse power by Royal Automobile Club (R.A.C.) rating.  |                                   |
|     | ii) 6-cylinder cars of not more than 16 horse power by Royal Automobile Club (R.A.C.) rating.”   |                                   |

Amendment  
of Schedule  
of Act 2  
of 1899.

4. The Indian Stamp Act, 1899, shall be amended in the manner specified in the Second Schedule.

## THE FIRST SCHEDULE

(See section 2)

## PART I

In the First Schedule to the Tariff Act,—

(i) In Item No. 8(2), for the existing entries in the fourth and sixth columns, the entries "45 per cent. *ad valorem*" and "35 per cent. *ad valorem*" respectively shall be substituted.

(ii) In Item No. 19(3), for the existing entry in the fourth column, the entry "60 per cent. *ad valorem*" shall be substituted.

(iii) In Items Nos. 21(3), 31, 31(2), 31(3), 32(3), 41 and 59. for the existing entries against each of them in the fourth column, the entry "50 per cent. *ad valorem*" shall be substituted.

(iv) In Item No. 22(1), for the existing entries in the fourth column against sub-items (a), (b), (c), (d) and (e), the entries "Rs. 4-8 per Imperial gallon", "Twelve annas per bottle", "Six annas per bottle", "Three annas per bottle" and "Rs. 6 per Imperial gallon" respectively shall be substituted.

(v) In Item No. 22(2), for the existing entries in the fourth column against sub-items (a), (b), (c), (d) and (e), the entries "Rs. 9 per Imperial gallon", "Rs. 1-8 per bottle", "Twelve annas per bottle", "Six annas per bottle" and "Rs. 12 per Imperial gallon" respectively shall be substituted.

(vi) In Item No. 22(3), for the existing entries in the fourth column against sub-items (a) and (b), the entries "Rs. 60 per Imperial gallon" and "Rs. 35 per Imperial gallon" respectively shall be substituted.

(vii) In Item No. 22(4)—

(a) for the existing entries in the fourth column against sub-items (a), (b)(i) and (b)(ii), the entries "Rs. 120 per Imperial gallon of the strength of London proof", "Rs. 150 per Imperial gallon" and "Rs. 120 per Imperial gallon of the strength of London proof" respectively shall be substituted; and

(b) in proviso (a) to the Item, for the figures "25" the figures "100" shall be substituted.

(viii) In Items Nos. 28(14), 52 and 78, for the existing entries against each of them in the fourth column, the entry "100 per cent. *ad valorem*" shall be substituted.

(ix) In Item No. 29(1), for the existing entry in the fourth column, the entry "Eight annas per linear foot" shall be substituted.

(x) In Items Nos. 30(13) and 30(15), for the existing entries in the fourth column against each of the sub-items, the entry "20 per cent. *ad valorem*" shall be substituted.

(xi) In Item No. 31(1), for the existing entries in the fourth and sixth columns, the entries "60 per cent. *ad valorem*" and "50 per cent. *ad valorem*" respectively shall be substituted.

(xii) In Item No. 47(2), for the existing entry in the fourth column, the entry "Rs. 3 per lb." shall be substituted.

(xiii) In Items Nos. 48(2), 48(6) and 49(3), for the figures "66 $\frac{2}{3}$ " in the fourth column, the figures "80" shall be substituted.

(xiv) In item No. 49(4), for the figures "35" and "25" in the fourth and fifth columns, the figures "80" and "70" respectively shall be substituted.

(xv) In Items Nos. 51(1) and 51(3), for the existing entries against each of them in the fourth column, the entry "100 per cent. *ad valorem* or Rs. 5 per lb., whichever is higher" shall be substituted.

(xvi) In Item No. 51(2), for the existing entries in the fourth column against sub-items (a) and (b), the entries "100 per cent. *ad valorem* or Rs. 5 per lb., whichever is higher" and "100 per cent. *ad valorem* or Rs. 4 per lb., whichever is higher" respectively shall be substituted.

(xvii) In Item No. 71(13), for the existing entries in the fourth column against each of the sub-items (a), (b) and (c), the entry "100 per cent. *ad valorem* or fifteen annas per foot, whichever is higher" shall be substituted.

(xviii) In Item No. 72(7), in the third column, the word "Revenue" shall be inserted, and for the existing entry in the fourth column, the entry "10 per cent. *ad valorem*" shall be substituted.

(xix) In Items Nos. 73, 73(1) and 77, for the existing entries against each of them in the fourth and fifth columns, the entries "40 per cent. *ad valorem*" and "30 per cent. *ad valorem*" respectively shall be substituted.

(xx) In Item No. 77(5), for the existing entries in the fourth and fifth columns, the entries "50 per cent. *ad valorem*" and "40 per cent. *ad valorem*" respectively shall be substituted.

(xxi) In Item No. 87, for the existing entry in the fourth column, the entry "35 per cent. *ad valorem*" shall be substituted.

## PART II

In the First Schedule to the Tariff Act, for Items Nos. 30(1), 71, 72(11) and 85, the following Items shall be substituted, namely:—

Item No.	Name of article	Nature of duty	Standard rate of duty	Preferential rate of duty if the article is the produce or manufacture of		Duration of protective rates of duty
				The United Kingdom	A British Colony <sup>1</sup>	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
30(1)	Dyes derived from coal-tar, and coal-tar derivatives used in any dyeing process, all sorts, not otherwise specified—					
	(a) Vat dyes (Paste) . . . . .	Revenue	20 per cent. <i>ad valorem</i>	..	..	..
	(b) Coupling dyes of the Naphthol group—					
	(i) naphthols . . . . .	Revenue	20 per cent. <i>ad valorem</i>	..	..	..
	(ii) bases . . . . .	Revenue	20 per cent. <i>ad valorem</i>	..	..	..
	(c) Others . . . . .	Revenue	12 per cent. <i>ad valorem</i>	..	..	..
71	Hardware, ironmongery and tools, all sorts not otherwise specified, including incandescent mantles but excluding machine tools and agricultural implements—					
	(a) tools . . . . .	Revenue	35 per cent. <i>ad valorem</i>	..	..	..
	(b) others . . . . .	Revenue	50 per cent. <i>ad valorem</i>	..	..	..

72 (II) Sewing machines to be worked by manual labour or which require for their operation less than one quarter of one brake-horse-power, and parts of such sewing machines—

(a) the head, whether with or without the hand attachment ;	Preferential revenue.	Rate of duty actually charged at the time for such products of the United Kingdom origin <i>plus</i> 10 per cent. <i>ad valorem</i> .	35 per cent. <i>ad valorem</i> or Rs. 75, whichever is higher.	.
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(b) other parts, including the hand attachment if imported separately.	Preferential revenue.	75 per cent. <i>ad valorem</i> .	65 per cent. <i>ad valorem</i> .	..
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85 Buttons, studs and cuff links—

(a) made of metals, including buttons, studs and cuff links made of or plated with gold or silver or both.	Revenue	100 per cent. <i>ad valorem</i> .	..	..	
(b) made of porcelain	Revenue	100 per cent. <i>ad valorem</i> .	..	..	..
(c) made of plastics	Protective	100 per cent. <i>ad valorem</i> or one rupee per gross, whichever is higher.	..	..	December 31st, 1959.
(d) not otherwise specified, but excluding jewellery.	Revenue	100 per cent. <i>ad valorem</i> .	..	..	..



## PART III

In the First Schedule to the Tariff Act, the following Items shall be inserted in their appropriate places:—

Item No.	Name of article	Nature of duty	Standard rate of duty	Preferential rate of duty if the article is the produce or manufacture of		Duration of protective rates of duty
				The United Kingdom	▲ British Colony	
1	2	3	4	5	6	7
21(10)	Saffron . . . . .	Revenue	60 per cent. <i>ad valorem</i> .	..	..	..
46(6)	Staple fibre (excluding yarn) . . .	Revenue	25 per cent. <i>ad valorem plus</i> the excise duty for the time being leviable on like products if produced or manufactured in India, and where such duty is leviable at different rates, the highest duty.	..	..	.

## THE SECOND SCHEDULE

(See section 4)

In Schedule I to the Indian Stamp Act, 1899, in entry 13, for items (b) and (c), the following items shall be substituted, namely:—

Description of Instrument	Proper Stamp duty
“(b) where payable otherwise than on demand—	
(i) where payable not more than three months after date or sight—	
if the amount of the bill or note does not exceed Rs. 500.	One rupee four annas,
if it exceeds Rs. 500 but does not exceed Rs. 1,000.	Two rupees eight annas.
and for every additional Rs. 1,000 or part thereof in excess of Rs. 1,000.	Two rupees eight annas.
(ii) where payable more than three months but not more than six months after date or sight—	
if the amount of the bill or note does not exceed Rs. 500.	Two rupees eight annas.
if it exceeds Rs. 500 but does not exceed Rs. 1,000.	Five rupees.
and for every additional Rs. 1,000 or part thereof in excess of Rs. 1,000.	Five rupees.
(iii) where payable more than six months but not more than nine months after date or sight—	
if the amount of the bill or note does not exceed Rs. 500.	Three rupees twelve annas.
if it exceeds Rs. 500 but does not exceed Rs. 1,000.	Seven rupees eight annas.
and for every additional Rs. 1,000 or part thereof in excess of Rs. 1,000.	Seven rupees eight annas.
(iv) where payable more than nine months but not more than one year after date or sight—	
if the amount of the bill or note does not exceed Rs. 500.	Five rupees.
if it exceeds Rs. 500 but does not exceed Rs. 1,000.	Ten rupees.
and for every additional Rs. 1,000 or part thereof in excess of Rs. 1,000.	Ten rupees.

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Description of Instrument	Proper Stamp duty
(c) where payable at more than one year after date or sight—	
if the amount of the bill or note does not exceed Rs. 500.	Ten rupees.
if it exceeds Rs. 500 but does not exceed Rs. 1,000	Twenty rupees.
and for every additional Rs. 1,000 or part thereof in excess of Rs. 1,000.	Twenty rupees

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## THE FINANCE (No. 3) ACT, 1956

No. 77 OF 1956

[21st December, 1956]

An Act further to amend the Indian Income-tax Act, 1922, for the purpose of imposing a tax on capital gains and for certain other purposes and to prescribe the rate of super-tax on companies for the financial year 1957-58.

BE it enacted by Parliament in the Seventh Year of the Republic of India as follows:—

Short title  
and com-  
mencement.

1. (1) This Act may be called the Finance (No. 3) Act, 1956.
- (2) It shall come into force on the 1st day of April, 1957.

Amendment  
of section 2.

2. In section 2 of the Indian Income-tax Act, 1922 (hereinafter referred to as the principal Act), in the *Explanation* to clause (6A), the following shall be inserted at the end, namely:—

“and before the 1st day of April, 1956.”

Amendment  
of section 10.

3. After sub-section (2A) of section 10 of the principal Act, the following sub-sections shall be inserted, namely:—

“(2B) Where for the purpose of computing under this section the profits or gains of a company for any previous year an allowance is made under clause (vi), clause (via), clause (vib) or clause (vii) of sub-section (2), an amount equal to the sum of all the allowances so made shall be included in the total income of the previous year as “profits and gains” unless the company deposits with the Central Government before the 30th day of June of the year succeeding the previous year—

such percentage, not exceeding twenty-five, as may, from time to time, be notified by the Central Government, of the accumulated profits and reserves of the company as at the end of the year preceding the previous year, to the extent to which such profits and reserves are not represented by the fixed assets of the company, *plus*

such percentage, not exceeding seventy-five, as may, from time to time, be notified by the Central Government, of the amount by which the sum of the following amounts, namely:—

(a) the total income of the company for the previous year, as reduced by the amount of income-tax and super-tax payable in respect thereof and by the dividends, if any declared during the previous year, and

(b) the sum of the allowances made under the clauses aforesaid,

exceeds the sum of rupees one lakh.

(2C) The Central Government may make rules providing for the manner in which the deposits referred to in sub-section (2B) may be made, the time when and the manner in which refunds of any such deposit shall be made whether with or without interest, and in particular the refund at any time of any such deposit or part thereof where the refund is claimed for carrying out any such purpose connected with the business of the company as is approved by the Central Government."

4. For section 12B of the principal Act, the following shall be substituted, namely:—

Substitution  
of new  
section for  
section 12B.

"12B. (1) The tax shall be payable by an assessee under the head "Capital Gains" in respect of any profits or gains arising from the sale, exchange, relinquishment or transfer of a capital asset effected after the 31st day of March, 1956, and such profits and gains shall be deemed to be income of the previous year in which the sale, exchange, relinquishment or transfer took place:

Capital gains

Provided that any distribution of capital assets on the total or partial partition of a Hindu undivided family or under a deed of gift, bequest or will shall not for the purposes of this section be treated as a sale, exchange, relinquishment or transfer of the capital assets:

Provided further that the transfer of a capital asset by a company to a subsidiary company, the whole of the share capital of which is held by the parent company or by the nominees thereof, shall not be treated as a sale, exchange or transfer within the meaning of this section where the subsidiary company is resident in the taxable territories and is registered under the Indian Companies Act, 1956, so however that for the purposes of clause (vi) or clause (vii) of sub-section (2) of section 10, the cost or the written down value, as the case may be, of the transferred capital asset shall be taken to be the same as it would have been if the parent company had continued to hold the capital asset for the purposes of its business.

(2) The amount of a capital gain shall be computed after making the following deductions from the full value of the consideration for which the sale, exchange, relinquishment or transfer of the capital asset is made, namely:—

"(i) expenditure incurred solely in connection with such sale, exchange, relinquishment or transfer;

(ii) the actual cost to the assessee of the capital asset, including any expenditure of a capital nature incurred and borne by him in making any additions or alterations thereto, but excluding any expenditure in respect of which any allowance is admissible under any provision of sections 8, 9, 10 and 12:

Provided that where a person who acquires a capital asset from the assessee, whether by sale, exchange, relinquishment or transfer is a person with whom the assessee is directly or indirectly connected, and the Income-tax Officer has reason to believe that the sale, exchange, relinquishment or transfer was effected with the object of avoidance or reduction of the liability

of the assessee under this section, the full value of the consideration for which the sale, exchange, relinquishment or transfer is made shall, with the prior approval of the Inspecting Assistant Commissioner of Income-tax, be taken to be the fair market value of the capital asset on the date on which the sale, exchange, relinquishment or transfer took place

Provided further that where the capital asset is an asset in respect of which the assessee has obtained depreciation allowance in any year, the actual cost of the asset to the assessee shall be its written down value, as defined in section 10, increased or diminished, as the case may be, by any adjustment made under clause (vii) of sub-section (2) of that section

Provided further that where the capital asset became the property of the assessee, or of the previous owner where the cost of the capital asset to the previous owner is to be taken in accordance with sub-section (3), before the 1st day of January, 1954, he may, on proof of the fair market value thereof on the said date to the satisfaction of the Income-tax Officer, substitute for the actual cost such fair market value which shall be deemed to be the actual cost to him of the asset, and which shall be reduced by the amount of depreciation, if any, allowed to the assessee after the said date and increased or diminished, as the case may be, by any adjustment made under clause (vii) of sub-section (2) of section 10.

Provided further that where the capital asset was on any previous occasion the subject of negotiations for its sale, exchange, relinquishment or transfer, any option or other money received and retained by the assessee in respect of such negotiations shall be deducted in computing the actual cost to him of such asset

(3) Where any capital asset became the property of the assessee by succession, inheritance or devolution or on any distribution of capital assets on the total or partial partition of a Hindu undivided family or on the dissolution of a firm or other association of persons or on the liquidation of a company or under a deed of gift, or transfer on irrevocable trust, its actual cost allowable to him for the purposes of this section shall be its actual cost to the previous owner thereof, and the provisions of sub-section (2) shall apply accordingly, and where the actual cost to the previous owner cannot be ascertained, the fair market value at the date on which the capital asset became the property of the previous owner shall be deemed to be the actual cost thereof

Provided that where the capital asset became the property of the assessee—

(1) before the 1st day of April, 1956, under a deed of gift or on the partition of a Hindu undivided family, the actual cost allowable to him shall be the fair market value of the capital asset on the date of the gift or the date of the partition, as the case may be, if such value is greater than the actual cost to the previous owner or the fair market value thereof on the 1st day of January, 1954, where the third proviso to sub-section (2) applies;

(ii) on or after the 1st day of April, 1956, on the partition of a Hindu undivided family, the cost allowable to him shall be the fair market value on the date of the partition.

(4) Notwithstanding anything contained in sub-section (1)—

(a) where a capital gain arises from the sale, exchange or transfer of one or more capital assets being property the income of which is chargeable under section 9, and the full aggregate value of the consideration for which the sale, exchange or transfer is made does not exceed the sum of twenty-five thousand rupees, the capital gain shall not be charged under this section and shall not also be included in the total income of the assessee:

Provided that this clause shall not apply in any case where the aggregate of the fair market values of all capital assets, being property the income of which is chargeable under section 9, owned by the assessee immediately before the sale, exchange or transfer aforesaid is made, exceeds the sum of rupees fifty thousand;

(b) where a capital gain arises from the sale, exchange, relinquishment or transfer of a capital asset to which the provisions of clause (a) are not applicable, being property the income of which is chargeable under section 9, which in the two years immediately preceding the date on which the sale, exchange, relinquishment or transfer took place, was being used by the assessee or a parent of his mainly for the purposes of his own or the parent's own residence, and the assessee has within a period of one year before or after that date purchased a new property for the purposes of his own residence, then instead of the capital gain being charged to tax as income of the previous year in which the sale, exchange, relinquishment or transfer took place, it shall, if the assessee so elects in writing before the assessment is made, be dealt with in accordance with the following provisions of this clause, that is to say,—

(i) if the amount of the capital gain is greater than the cost of the new asset, the difference between the amount of the capital gain and the cost of the new asset shall be charged under this section as income of the previous year, or

(ii) if the amount of the capital gain is equal to or less than the cost of the new asset, the capital gain shall not be charged under this section."

5. In section 17 of the principal Act,—

(a) for clause (ii) of sub-section (6), the following clause shall be substituted, namely:—

Amendment  
of section 17.

"(ii) on the whole amount of such inclusion, income-tax equal to the amount which bears to the income-tax which would have been payable on his total income as reduced by

two-thirds of the amount of such inclusion the same proportion as the whole amount of such inclusion bears to such reduced total income:

Provided that where the amount of such inclusion does not exceed the sum of five thousand rupees or the total income does not exceed the sum of ten thousand rupees such income-tax shall be nil and in any other case such income-tax shall not exceed one-half of the amount by which the amount of such inclusion exceeds the sum of five thousand rupees;"

(b) for sub-section (7), the following sub-section shall be substituted, namely:—

"(7) Where the total income of a company includes any income chargeable under the head "Capital Gains", the super-tax payable by it shall be calculated on its total income as reduced by the amount of such inclusion."

Amendment  
of section  
23A.

**6. In section 23A of the principal Act,—**

(a) in sub-section (1) for the words "at the rate of four annas in the rupee", the words "at the rate of six annas in the rupee" shall be substituted.

(b) after the proviso to sub-section (1), the following further proviso shall be inserted, namely:—

"Provided further that in the case of a company referred to in sub-section (4), this section shall apply as if for the words "sixty per cent. of the total income" and "fifty-five per cent. of its total income" wherever they occur, the words "fifty per cent. of the total income" and "forty-five per cent. of its total income" respectively had been substituted."

(c) in clause (i) of sub-section (2), for the words "in clause (a) of the proviso to that sub-section", the words "in clause (a) of the first proviso to that sub-section" shall be substituted.

Amendment  
of section 24.

**7. In section 24 of the principal Act,—**

(a) in sub-section (2B), the words "so however that no such loss shall be so carried forward for more than six years" shall be omitted;

(b) For the proviso to sub-section (2B), the following proviso shall be substituted, namely:—

"Provided that where the loss sustained by an assessee, not being a company, in any previous year does not exceed five thousand rupees, it shall not be carried forward."

Rates of  
super-tax on  
companies  
for the finan-  
cial year  
1957-58.

**8. For the year ending on the 31st day of March, 1958, the rate of super-tax for the purposes of section 55 of the principal Act shall, in the case of every company, be as follows:—**

On the whole of  
the total income

Eight annas and nine  
pies in the rupee:

Provided that—

(i) a rebate at the rate of seven annas per rupee of the total income shall be allowed in the case of any company which—



(a) in respect of its profits liable to tax under the Income-tax Act for the year ending on the 31st day of March, 1958, has made the prescribed arrangements for the declaration and payment within India, of the dividends payable out of such profits and for the deduction of super-tax from dividends in accordance with the provisions of sub-section (3D) of section 18 of that Act, and

(b) is such a company as is referred to in sub-section (9) of section 23A of the Income-tax Act, with total income not exceeding Rs. 25,000.

(ii) a rebate at the rate of six annas per rupee of the total income shall be allowed in the case of any company which satisfies condition (a) but not condition (b), of the preceding clause; and

(iii) a rebate at the rate of five annas and six pies per rupee on so much of the total income as consists of dividends from a subsidiary Indian company and a rebate at the rate of three annas per rupee on any other income included in the total income shall be allowed in the case of any company not entitled to a rebate under either of the preceding clauses:

Provided further that—

(i) the amount of the rebate under clause (i) or clause (ii), as the case may be, of the preceding proviso shall be reduced by the sum, if any, equal to the amount or the aggregate of the amounts, as the case may be, computed as hereunder:—

(a) on that part of the sum arrived at in accordance with clause (i) of the second proviso to paragraph D of Part II of the First Schedule to the Finance Act, 1956, as has not been deemed to have been taken into account, in accordance with clause (ii) of the said proviso, for the purpose of reducing the rebate mentioned therein to nil;

The whole amount of such part.

(b) on the amount representing the face value of any bonus shares or the amount of any bonus issued to its shareholders during the previous year with a view to increasing the paid-up capital, except to the extent to which such bonus shares or bonus have been issued out of premiums received in cash on the issue of its shares; and

at the rate of two annas per rupee.

(c) in addition, in the case of a company referred to in clause (ii) of the preceding proviso which has distributed to its shareholders during the previous year dividends in excess of six per cent. of its

paid-up capital, not being dividends payable at a fixed rate—

on that part of the said dividends which exceeds 6 per cent. but does not exceed 10 per cent. of the paid-up capital;	at the rate of two annas per rupee.
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on that part of the said dividends which exceeds 10 per cent. but does not exceed 18 per cent. of the paid-up capital.	at the rate of four annas per rupee.
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on that part of the said dividends which exceeds 18 per cent. of the paid-up capital;	at the rate of six annas per rupee.
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(ii) where the sum arrived at in accordance with clause (i) of this proviso exceeds the amount of the rebate arrived at in accordance with clause (i) or clause (ii), as the case may be, of the preceding proviso, only so much of the amounts of reduction mentioned in sub-clauses (a), (b) and (c) of clause (i) of this proviso as is sufficient, in that order, to reduce the rebate to *nil* shall be deemed to have been taken into account for the purpose:

Provided further that the super-tax payable by a company the total income of which exceeds rupees twenty-five thousand shall not exceed the aggregate of—

(a) the super-tax which would have been payable by the company if its total income had been rupees twenty-five thousand, and

(b) half the amount by which its total income exceeds rupees twenty-five thousand.

*Explanation.*—For the purposes of this section—

(i) the expression “paid-up capital” means the paid-up capital (other than capital entitled to a dividend at a fixed rate) of the company as on the first day of the previous year relevant to the assessment for the year ending on the 31st day of March, 1958, increased by any premiums received in cash by the company on the issue of its shares, standing to the credit of the share premium account as on the first day of the previous year aforesaid;

(ii) the expression “dividend” shall be deemed to include any distribution included in the expression “dividend” as defined in clause (6A) of section 2 of the principal Act;

(iii) where any portion of the profits and gains of the company is not included in its total income by reason of such portion being exempt from tax under any provision of the principal Act, the “paid-up capital” of the company, the amount distributed as dividends (not being dividends payable at a fixed rate), the amount representing the face value of any bonus shares and the amount of any bonus issued to the shareholders,

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shall each be deemed to be such proportion thereof as the total income of the company for the previous year bears to its total profits and gains for that year other than capital receipts, reduced by such allowances as may be admissible under the Income-tax Act which have not been taken into account by the company in its profit and loss account for that year.

K. V. K. SUNDARAM,  
*Secy. to the Govt. of India*

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